

**EXHIBIT 2**



## Zwilling, Zachary S.

**From:** Reorg Alert <dockets@reorg-research.com>  
**Sent:** Monday, July 29, 2019 6:20 PM  
**To:** Zwilling, Zachary S.  
**Subject:** [EXT] Puerto Rico - Ortiz Says 3 PREPA T&D Concession Proponents Remain Interested in Project; PREPA Rates to Decline This Quarter as Public Corporation Beats Fiscal Plan Targets (Americas Intelligence)

## R Reorg Americas

### Puerto Rico

## Ortiz Says 3 PREPA T&D Concession Proponents Remain Interested in Project; PREPA Rates to Decline This Quarter as Public Corporation Beats Fiscal Plan Targets

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Puerto Rico Electric Power Authority Executive Director José Ortiz acknowledged today that Puerto Rico's political crisis is harming the island's investment climate but said that three of the four proponents qualified to bid for the PREPA transmission and distribution system concession are still interested in pursuing the long-term contract. The PREPA chief also said other developers exploring potential investments in the island's electric power sector remain interested despite the political turmoil on the island that has led Gov. Ricardo Rosselló to [announce](#) he will step down on Aug. 2 at 5 p.m. ET in the wake of [corruption arrests](#) and a [group chat scandal](#) that prompted widespread protest and calls for his resignation.

During a roundtable with local reporters today, Ortiz said electric power rates should come down over the next quarter as there was an increase in electricity consumption, adding that the government utility is outperforming fiscal plan spending and revenue targets. The press conference was held in the wake of an exchange of letters between PREPA and the PROMESA oversight board in which officials clashed over the wisdom of the extension of a Puma fuel supply contract.

"The political situation in Puerto Rico certainly does not help the investment climate. This is the reality. However, we have touched base with the proponents and they all still want to participate. They understand it's a great opportunity. The authority is one of the biggest utilities in the entire United States," Ortiz said. Ortiz said that both he and Puerto Rico Public Private Partnership Authority officials were concerned about the situation, which is why they reached out to the proponents.

Ortiz said that there are "officially" three proponents still vying for the T&D concession: Duke Energy Corp., PSEG Services Corp. and a consortium composed of ATCO Ltd., IEM and Quanta Services Inc. In January, the P3A [selected four proponents](#) to participate in the T&D bidding that included Exelon Corp. in addition to the companies Ortiz said are still in the running. Exelon officials did not respond to a request for comment this afternoon, but two sources familiar with the matter said the company's decision to drop out of the bidding dates back months and was taken prior to the recent political controversy.

Ortiz said today an agreement should be signed with the winner of the bid in October. Officials have previously said the transaction was expected to be completed during the third quarter of 2019, which ends Sept. 30.

Ortiz also discussed the need to name a new Puerto Rico Fiscal Agency and Financial Advisory Authority executive director in the wake of Christian Sobrino's [resignation](#). He called the position "very very important" because the AAFAF chief has a seat on the PREPA board as well as the P3A, which is administering the T&D



concession process.

Ortiz said that PREPA is supposed to be getting “hundreds of millions of dollars” in federal disaster funding in September and October to rebuild critical electric power infrastructure at towns across the island but acknowledged that the funding could be delayed because of recent events. He also said that PREPA expects to receive about \$300 million in private insurance claims related to Hurricane Maria, which struck Puerto Rico in September 2017, but said that the public corporation has yet to “receive a dime.”

“These are certainly negative situations along the way, but we have not stopped here and all of the projects continue moving,” the PREPA chief said of recent political events.

In addition to the T&D concession, Ortiz said that he expects to announce shortly agreements with private business to develop 300 megawatts of solar power generation through 17 projects, as well as an extension of a contract with EcoElectrica, a private natural gas-fired power plant on the island’s south coast.

The PREPA chief also said that he expects the first of two generation units being converted to natural gas at the San Juan power plant to be operational by Oct. 15 and that a planned conversion of the Mayaguez plant remains on track.

### **Rate Reductions and Fiscal Plan Performance**

Ortiz also told reporters that electric power rates are expected to drop during the current July-September quarter to an average 19.99 cents per kilowatt hour versus the average 20.68 cents/kWh during May and June. Clients will see the new rates in upcoming bills, officials said. Average residential customers will save more than 10% on their bills, while rates for commercial and industrial customers will be reduced between 4.3% and 8.6%, according to PREPA estimates.

The favorable rate picture is helped by a 0.7771 cent/kWh credit granted to PREPA clients as a result of a true-up process of a provisional rate that had been in effect since the aftermath of the hurricanes. Total estimated classes and riders costs will increase to 15.03 cents/kWh during the current quarter from 14.95 cents/kWh.

The PREPA chief pointed to other “positive trends” at PREPA, saying consumption is up 5% compared with fiscal year 2018, with about 125 new clients requesting service monthly. Fernando Padilla, PREPA’s project management officer, said that as of May 30, the public corporation is beating financial targets outlined in its fiscal plan, with revenue 9% or \$274 million above estimates, while operational costs within PREPA’s control are 3% or \$120 million less than budgeted. Ortiz explained that fuel costs represent about 50% of total PREPA spending.

Ortiz also [continued his criticism](#) of the PROMESA oversight board for its rejection of a proposed two-year extension of a Puma Energy Caribe LLC diesel supply contract, saying the decision has increased projected diesel costs by \$25 million. He said the board had approved another extension request for a Freepoint Commodities bunker fuel supply contract that will result in fuel cost savings of \$125 million.

The PREPA chief blamed the oversight board’s rejection of the Puma contract on a “stigma” the company has stemming from past ties to attorney Elías Sánchez, the governor’s former campaign manager and representative to the oversight board. He said Puma has clarified that it stopped working with Sánchez last year and that the attorney had no intervention in the Puma contract extension, which was recommended by consultant Sargent & Lundy.

Even though he was not a government official or consultant at the time, Sánchez was a participant in the group chat that has forced Rosselló to announce his resignation after several administration officials resigned. A recent Centro de Periodismo Investigativo [report](#) alleged that Sánchez has exerted undue influence in the government contracting process. In a [written statement](#) released to Reorg, Sánchez denied the allegations and threatened to sue the publication, but CPI Executive Director Carla Minet said the group stands by its report.

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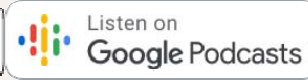
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